



Rating Rationale

Milan Cottex

1Feb2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 12.44 Crores of Milan Cottex. (MC or Firm)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2018)	Present
Fund Based Cash Credit Term Loan	7.00 0.91	12.00 0.44	Long Term	BWR BB- (Pronounced as BWR double B minus) Outlook: Stable	BWR BB (Pronounced as BWR double B) Outlook: Stable (Upgraded)
Total	7.91	12.44	INR Twelve Crores and Forty Four Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials up to FY18, provisional financials upto 17Dec2018 and publicly available information and information/clarifications provided by the management.

The rating derives comfort from experience of three of the partners and increased revenue and satisfactory debt coverage ratio. The rating is however is constrained by declined operating profit margins, decreased net worth, high gearing, low interest coverage, low current ratio, fragmented and competitive nature of industry and volatility in cotton prices, inherent risk and seasonality risk



Going forward, the firm's ability to increased revenues, and profits, service the debt obligations promptly and manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

Mr. Laljibhai V. Desai and Mr. Hasmukhbhai V. Desai are having experience of 40 years and 26 in the same line of business activity , total operating income has improved to Rs. 106.88 Crs in FY18 over Rs. 54.20 crs in FY17. Debt coverage ratio stood at 1.35x in FY18. Additional capital of Rs 3 .47 Crs has been infused as certified by CA on 18.12.2018

- **Credit Risks:**

Operating profit margin has declined from 2.95% in FY17 to 1.46% in FY18, net worth has decreased to Rs. 4.26 crs in FY18 over Rs. 8.19 crs in FY17 due to the repayment made by the Firm towards retiring partner, Gearing with total outside liability is at 2.35x in FY18, interest coverage ratio stood at 1.61x in FY18 . Inherent risk is the constitution being partnership firm.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Milan Cottex** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Milan Cottex (MC) is a partnership firm established in 15 Jun 2013. MC is engaged in cotton ginning and pressing activity at its facility located at Chital in Gujarat. The firm is promoted and managed by Laljibhai V. Desai, Hasmukhbhai V. Desai, Bharatbhai V. Desai, Pankajbhai L. Desai and Chiragbhai L. Desai.



Firm's Financial Performance

Revenue is Rs. 106.88 Crs and PAT is Rs. 0.18 crs as at FY18. The Tangible Net Worth of the firm stood at Rs. 4.26 Cr in FY18

Rating History for the last three years

S.No	Facility	Current Rating(2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	9.2.2018	2017	2016
1	Fund Based Cash Credit Term Loan	Long Term	12.00 0.44	BWR BB (Pronounced as BWR double B) Outlook: Stable (Upgraded)	BWR BB- (Pronounced as BWR double B minus) Outlook: Stable	Not rated	Not rated
	Total		12.44	₹ Twelve Crores and Forty Four Lakhs Only			

Status of non-cooperation with previous CRA - CARE BB-, (ISSUER NOT COOPERATING) dated 29Jan2018 Any other information: Nil

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	In ₹ Crs	106.88	54.20
EBITDA	In ₹ Crs	1.56	1.60
PAT	In ₹ Crs	0.18	0.10
Tangible Net worth	In ₹ Crs	4.26	8.18
Total Debt/Tangible Net worth	Times	2.09	0.90
Current Ratio	Times	1.29	1.82

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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